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C O N F I D E N T I A L SECTION 01 OF 03 TAIPEI 003298

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STATE PASS AIT/W

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SUBJECT: LY ELECTION CAMPAIGN KICKS OFF

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Classified By: AIT Director Douglas Paal, Reason: 1.4 (B/D)

1. (C) Summary: Candidate registration for the December 11 Legislative Yuan (LY) election campaign closed October 12 and the campaign season has begun. Neither camp is expecting any dramatic swings in the current LY balance, but most observers expect the Pan-Blue to lose its current slim majority. The Pan-Green's prospects for securing a slim majority may hinge on whether Democratic Progressive Party (DPP) can enforce discipline among its voters and the ability of the Taiwan Solidarity Union (TSU) to advance beyond the 16 seats it is currently projected to win. Both the KMT and Pan-Green parties are looking to capitalize on the declining fortunes of James Soong's People First Party (PFP). However, the real beneficiaries from the PFP's slide may be political independents, who may well hold the balance after December 11. In addition to determining the make-up of the next LY, this election is seen by many as an informal primary for both Green and Blue candidates for the 2008 presidential election. End Summary.

Who Wants to be a Legislator?

2. (C) Registration for the December 11 LY election closed on October 12, marking the informal start of the campaign season. A total of 387 candidates registered to contest 176 geographic and aboriginal district seats. Geographic districts range in size from one to 13 seats, with each voter allowed to cast a single ballot for a candidate, rather than a party (Note: We will review septel the arcane procedural and political realities of Taiwan's legislative elections. End Note). A further 49 seats will be divided among proportional party and overseas lists. The DPP is running a total of 92 candidates for district seats, the KMT 74, People First Party (PFP) 41, and TSU 30. The remaining 150 plus candidates represent minor parties or are running as independents. Among district seats in the 2001 election, the DPP won 69 (87 overall, including proportional candidates), KMT 53 (68 overall), PFP 35 (46 overall), and the TSU 8 (13 overall).

Both Camps Aim for Slim Majority

3. (C) Both camps have set a small majority as their stated goal, but observers say that it is possible that neither camp will surpass the 113 seat target. National Security Council (NSC) Secretary General Chiou I-jen, architect of President Chen Shui-bian's March 20 victory, told AIT that he is absolutely confident that the Pan-Blue will lose its current one-seat majority, but could not guarantee the Pan-Green will surpass the 113 mark. DPP Survey Center Director Pan I-shuan said that the party's most recent poll estimates the Pan-Green will win 109 seats total (93 DPP, 16 TSU) versus 105 for the Pan-Blue (69 KMT, 32 PFP, and 4 New Party). Pan noted that this number will serve as the DPP's baseline figure, since it reflects the situation before the campaign started.

DPP Challenge: Enforcing Discipline

4. (C) Given Taiwan's multi-member districting system, both camps are focusing attention on candidate coordination. Veteran DPP Legislator Hong Chi-chang told AIT that the Pan-Green's chances for a majority hinges on its ability to persuade Pan-Green voters to spread their support evenly among DPP candidates, a system referred to as "peipiao." Hong noted that the DPP is running a large number of first-time candidates who lack name recognition. "Without a peipiao system in place," Hong commented, "many of these candidates will lose." DPP Deputy Secretary General Lee Ying-yuan commented that discussions for candidate coordination were just getting under way, but so far candidates have been eager to participate, hoping to convert the DPP edge in opinion polls into the seats needed for an LY majority.

TSU: Modest Expectations

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15. (C) Early expectations for major gains by the TSU appear to have fizzled, with observers inside and outside of the party predicting only modest gains over 2001. TSU Policy Chief Lee Shangren told AIT that the party has revised its internal goal to 20 seats, but admitted that even this figure would be hard to achieve. DPP Taipei County Magistrate Lin Hsi-yao asserted that the TSU could break its current malaise if it were to exploit popular sentiment against the government's support of direct transportation links with the PRC. "During the presidential campaign, we were disturbed by the depth of anti-Three Links sentiment among many voters outside of major urban centers," Lin said.

16. (C) However, the TSU's Lee said his party would pass up the opportunity to attack the Three Links and continue to focus on politics rather than trade. "We are under intense pressure from our business supporters not to campaign against the Three Links," Lee explained, "so it comes down to a choice between the common people and the business community -- we'd rather have the money than the votes." While the TSU's decision to hold off on attacking the Three Links has

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relieved some pressure on the DPP, party officials express concern that recent attacks by former President Lee Teng-hui on the government's post-May 20 cross-Strait policy line may provoke President Chen Shui-bian to revert to the sort of China-baiting that featured prominently in the presidential election campaign.

Pan-Blue Challenge: Keeping PFP Votes in the Family -----

17. (C) The Pan-Blue camp will have an even tougher time of coordinating campaign strategy due to ongoing tensions between the KMT and PFP and the presence of a large number of renegade Pan-Blue candidates. PFP Legislator (Taichung City) Daniel Hwang (Yi-jiao) told AIT that "we will talk big about peipiao, but we couldn't do this even among PFP candidates, let alone together with the KMT." KMT Legislator (Taipei City South) Apollo Chen (Shei-sheng) offered a similar assessment. "For the Pan-Blue, it will be everyone for themselves," Chen concluded. KMT Policy Chief Tseng Yung-chuan told AIT that the KMT does not necessarily need a peipiao system because its candidates will be boosted by flagging public support for the PFP. "Sure, the PFP will lose seats this time," Tseng assessed, "but that just means more votes for KMT candidates."

Independents May Hold Balance -----

18. (C) However, many observers caution that PFP voters may not automatically shift their support to the KMT. Institute for National Policy Research Executive Director (INPR) Lo Chih-cheng told AIT that one factor to watch for is whether educated Pan-Blue voters, disenchanted with the PFP over its post-March 20 behavior but unwilling to vote for an unreformed KMT, might look to independent candidates as an outlet for their protest votes. Samuel Wu, a political advisor to KMT Taipei City Mayor Ma Ying-jeou, told AIT that the Pan-Blue should worry more about independents than the Pan-Green. "Our supporters are different from the DPP's," he asserted, "DPP voters will never cast ballots for someone without official nomination, but Pan-Blue voters are just as likely to vote for a non-partisan as for a candidate with party backing." This factor may be especially important in Taipei City, where there are almost as many independent Pan-Blue candidates as there are registered ones. Among the candidates considered as potential threats to the Pan-Blue camp are two former DPP Chairmen -- Shih Ming-te and Hsu Hsin-liang -- both of whom are polling strongly among Pan-Blue (but not DPP) voters.

19. (C) Officials in both camps suggest that the Non-Partisan Solidarity Union (NSU), a loose grouping of political independents (most of whom were expelled by major parties on ethical or loyalty grounds), may play a key role in determining the election's outcome. This election marks the first time the NSU has registered as a political party, making it eligible to receive proportional seats if it gains more than 5 percent of the island-wide vote. The DPP's Hong asserted that such an outcome would impact negatively on both the DPP and KMT, making it more likely that independents will hold the balance of power in the next LY. How this would influence the DPP's ability to govern is subject to debate. Taipei County Magistrate Lin asserted that as long as the Pan-Green is within five seats of a majority, it will be able to easily entice non-partisan candidates into its coalition. The KMT's Tseng, however, asserted that the NSU is ideologically closer to the Pan-Blue, thus will back the KMT on major policy issues. The DPP's Hong assessed that the wider the margin between the Pan-Green and an outright majority, the higher the price non-partisans will be able to

demand from the government in terms of political pork.

The 2004 Primary for the 2008 Election?

10. (C) Officials in both camps say this election may also serve as an early primary for the 2008 presidential contest. President Chen has intentionally given the four competitors for future DPP leadership their own independent campaign staffs for the LY election (Reftel). Similarly, the three contenders for future KMT leadership -- LY President Wang Jin-pyng, Taipei Mayor Ma, and PFP Chairman Soong -- are using the campaign to build support for their own candidacies. Ma advisor Wu told AIT that the Taipei Mayor will only campaign for those Pan-Blue candidates (including independents) whom he believes will help him rebuild a new, more moderate KMT. Wang has been less discriminatory, likely because his prospects for future leadership depend heavily on support from within the LY. Soong is also stumping for candidates from across the Pan-Blue spectrum. However, even members of his own party are discounting his potential for future political office (Septel). In one very public example, PFP legislator (Taipei North) Chin Huei-chu loudly denounced Taipei Mayor Ma October 10 for refusing to help her re-election campaign and threatened to retaliate by supporting LY Speaker Wang (not Soong) for KMT Chairman after the election.

Comment: No Major Sea-Change

11. (C) The upcoming election is unlikely to see a major shift in seats between the two camps because Taiwan's multi-member districting system encourages competition within partisan camps rather than between them. Nevertheless, a modest Pan-Green majority, with or without the help of independents, seems to be the likeliest outcome given the DPP's advantage in resources, organization, and morale. Perhaps more significant than the final outcome will be how votes divide within the Pan-Blue camp. PFP poll numbers continue to slide and there is growing fear within the party of a looming collapse. While the PFP is unlikely to disappear the way the New Party did in 2001, a large setback could have major implications for future political realignment within the Blue camp. A greatly weakened PFP will not be in a position to place unpalatable ideological or personnel conditions for of a post-election Pan-Blue merger. This may help create a "soft-landing" for the Pan-Blue, allowing for the emergence of a more stable and moderate KMT leadership capable of playing an effective, and responsible, balancing role in opposition.

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